

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6941

BILL NUMBER: HB 1779

NOTE PREPARED: Feb 25, 2005

BILL AMENDED: Feb 24, 2005

SUBJECT: Public Pensions.

FIRST AUTHOR: Rep. Buell

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill authorizes the boards of the Teachers' Retirement Fund (TRF) and the Public Employees' Retirement Fund (PERF) to establish by rule: (1) how administrative costs of alternative investment programs may be paid; (2) certain valuation dates; (3) investment allocation increments; (4) the contribution allocations date; and (5) the annuity savings account distribution date during a month.

Effective Date: July 1, 2005.

Explanation of State Expenditures: (Revised) *Teachers' Retirement Fund:* The TRF Board of Trustees will determine how administrative fees will be charged. The Board of Trustees also will decide by rule: (1) when the valuation of a member's Annuity Savings Account (ASA) will be completed; (2) the date when a member's selection or change to an existing selection is to be implemented; (3) the investment allocation increments; and (4) the allocation of member contributions. The proposal does not impose any additional requirements on the Board of Trustees. Any new expenditures will be dependent upon Board action.

Background Information: The following is provided to show *potential costs* if the Board were to decide to implement a strategy which included daily valuation, daily changes by phone and/or the web, coordination with a daily pricing agent, Northern Trust. This proposal does not require the Board to incur any additional expenditures, and the following is provided for illustrative purposes only.

TRF has estimated the annual ongoing expenditures at \$25 per participant, or approximately \$3.6 M for about 144,000 members. This includes the start-up expenditures. The \$25 annual fee per account estimate would cover daily accounting, making changes (by phone and/or the web), production of monthly statements, as well as set-up and coordination with TRF staff, daily pricing agent (Northern Trust), and internal technology

platform.

(Revised) *Public Employees' Retirement Fund*: The PERF Board of Trustees will determine how administrative fees will be charged. The Board of Trustees also will decide by rule: (1) when the valuation of a member's ASA will be completed; (2) the date when a member's selection or change to an existing selection is to be implemented; (4) the investment allocation increments; (5) the allocation of member contributions. The proposal does not impose additional requirements on the Board of Trustees. Any new expenditures will be dependent upon Board action.

Background Information: The following is provided to show *potential costs* if the Board were to decide to implement a strategy which included daily valuation, daily changes by phone and/or the web. This proposal does not require the Board to incur any additional expenditures, and the following is provided for illustrative purposes only.

PERF cost estimates range between \$24.50 and \$29.10 per participant, or a total of approximately \$5.8 M (236,500 x \$24.50 per participant) to \$6.9 M, (236,500 x \$29.10 per participant). This assumes that members make their investment selections electronically via a web page in a similar method by which investment selections are made in the Legislators' Retirement System. The \$24.50 estimate contemplates continuing the current process of the employers submitting PERF contributions on a quarterly basis. The \$29.10 estimate is based on each employer submitting contributions immediately upon conclusion of each payroll period.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Public Employees' Retirement Fund; Teachers' Retirement Fund.

Local Agencies Affected: Local units with members in PERF and local school corporations.

Information Sources: Robert Newland, Chief Investment Officer for TRF, 317-232-3868; William Christopher, Director of TRF, 317-232-3869; Bruce Kimery, Acting Executive Director, PERF, 317-233-4133.

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